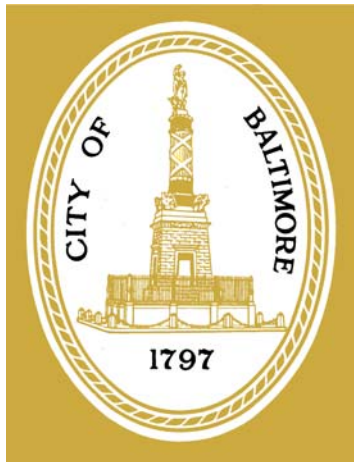


# **PERFORMANCE AUDIT REPORT**

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## **BALTIMORE CITY HEALTH DEPARTMENT SPECIAL EDUCATION HEALTH SERVICES PROGRAM ADMINISTRATION OF THIRD PARTY BILLING APRIL 2002**

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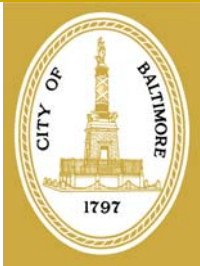


**City of Baltimore  
Department of Audits**

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## CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor



## DEPARTMENT OF AUDITS

YOVONDA D. BROOKS, CPA  
City Auditor

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April 25, 2002

Honorable Joan M. Pratt, Comptroller  
And Other Members of the Board of Estimates  
City of Baltimore

This report conveys the results of our performance audit of the Baltimore City Health Department (BCHD) – Special Education Health Services/Third Party Billing for the period from July 1, 2000 through November 30, 2001. The overall objective of this audit was to determine whether third party billings for reimbursement of school nursing services were accurate, timely, supported and properly recorded on the City's accounting records.

### **BACKGROUND:**

On August 9, 1995, a Memorandum of Understanding (MOU) was executed between the Baltimore City Health Department and the Baltimore City Public Schools in a cooperative effort to enhance the delivery of special education and health care services to Baltimore City's school children. The initial contract period was from July 1, 1995 through June 30, 1998. Each fiscal year since 1998, an addendum to the original memorandum was executed for its continuance.

School health care services are not limited to special education related services and case management but also include school-based mental health services and nursing services rendered as a part of an Individual Education Plan or Individual Family Service Plan. The purpose of the school health care services is to optimize each student's health so that the student may receive the full benefit of the school experience by removing many of the health and social barriers that hinder success and to insure the graduation of healthy young adults and productive citizens. Funding/reimbursement for this initiative is provided through the Maryland Medical Assistance Program (Medicaid). The special education health service expenditures for fiscal years 2001 and 2002 were budgeted for \$5,034,153 and \$5,164,377, respectively.

Also, in accordance with the MOU, the Baltimore City Health Department is to maintain appropriate records to ensure a proper accounting of all expenditures and funds. The Baltimore City Public Schools are responsible for ensuring that all the Medicaid billings

are appropriate and to reimburse the Baltimore City Health Department for services provided upon receipt of an invoice.

### **OBJECTIVES, SCOPE AND METHODOLOGY:**

The objectives of this audit were to determine if third party billings for school nursing services that are provided by the Baltimore City Health Department were accurate, timely, supported and properly recorded on the City's accounting records. Our audit period was from July 1, 2000 through November 30, 2001.

This audit was conducted in accordance with *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures we considered necessary in the circumstances.

In conducting this audit, we interviewed the program's administrative director, fiscal supervisor and accountant and documented our understanding of the procedures used by management to bill the Baltimore City Public Schools for special education school nursing services. We supplemented this understanding by reviewing the Memorandum of Understanding and the budget. We reviewed the underlying accounting records' activity for the period to determine whether all invoices for payment were accurate, timely, supported and properly recorded.

### **AUDIT RESULTS:**

***The BCHD did not maintain adequate records to ensure a proper accounting of all expenditures. Consequently, the accounting records did not support the amounts invoiced for reimbursement of nursing services provided to Baltimore City Public Schools.***

The accounting records were not adequate and did not support the BCHD's third party billings to Baltimore City Public Schools. Ideally, all expenditures and funds for the Special Education Health Services Program should be budgeted and accumulated in a separate special fund account. However, we found that the BCHD billed Baltimore City Public Schools for school health nurse services rendered for only \$2,911,947 of the \$4,870,745 total expenditures accumulated in the accounting records for fiscal year 2001 and \$1,184,373 of the \$2,300,460 total expenditures accumulated in the accounting records from July 1, 2001 through November 30, 2001. The accounting records for fiscal year 2001 also included expenditures totaling \$1,410,982, which are applicable to fiscal years 2000 and 1999.

The BCHD indicated that most of the cost accumulated in this account did not pertain to the special education health services/third party billings. However, the BCHD had not

removed all unrelated cost from this account. Therefore, we conclude that the BCHD is not billing for all applicable cost, is not properly allocating cost to appropriate fund sources or is incurring a large deficit for which there is no offsetting revenue or fund source. This account is commingled with unrelated expenditures, and we could not determine the amount of expenditures that should be billed for reimbursement.

***The BCHD's invoices for reimbursement of services rendered were not prepared and submitted timely, and did not have supervisory review and agency approval.***

Invoices for reimbursement of nursing services rendered by the BCHD were not prepared and submitted timely and reviewed and approved. The BCHD's internal policy for submission of invoices changed from once a year to monthly for fiscal year 2002. The BCHD's invoices did not contain preparation and submission dates. Although it is difficult to determine exactly when invoices were prepared and submitted, cash receipts of monthly invoices totaling \$1,184,373 were being deposited as long as four months after that month's end for fiscal year 2002. In addition, the BCHD has not submitted its final bill for the 2001 fiscal year in the nine months since the close of that year. Prompt submission of invoices not only ensures timely reimbursement of nursing services rendered, but also minimizes the burden on City's resources that initially pay for nurses' salaries and fringe benefits.

These invoices also lack signatures that would indicate review and approval. The review and approval of the invoice provides reasonable assurance that all nursing services rendered were accurately and timely billed to the vendor, authorized and in accordance with the MOU and budget.

#### **RECOMMENDATION:**

We recommend that the Baltimore City Health Department maintain the appropriate records to ensure a proper accounting of all expenditures that support third party billings. We also recommend that all expenditures that are not directly related to the special education school health nurse program be removed immediately from the designated account. In addition, we recommend that the BCHD develop and maintain records that indicate the allocation and distribution of all expenditures to fund source and budget. If necessary, the Department should consult with the Bureau of Budget and Management Research for assistance in developing a methodology to allocate cost for this program.


Finally, we recommend that the BCHD's invoices for third party billings include the preparation and submission dates, the accountant's signature, and the approval of the supervisor and the program director. Documentation of review and approval should include the date and signature.

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The Baltimore City Health Department's response to our audit and the auditor's comments thereon are included as attachments to this report.

Respectfully submitted,

Yovonda D. Brooks, CPA  
City Auditor

FROM	NAME & TITLE	Bernadette G. Greene, R.N., M.S., Assistant Commissioner Adult, School and Community Health	CITY of BALTIMORE <b>MEMO</b>	
	AGENCY NAME & ADDRESS	Baltimore City Health Department 210 Guilford Avenue, 3 <sup>rd</sup> Floor		
	SUBJECT	Audit Report – Special Health Services/Third Party Billing Response to Report		

TO

Yolanda D. Brooks, City Auditor  
Department of Audits

DATE: April 9, 2002

This memo is in response to the findings of the performance audit of the Special Education Health Services/Third Party Billing program.

**Finding:** The Department did not maintain adequate records to ensure a proper accounting of all expenditures.

**Response:** A separate and distinct sub-activity is currently maintained to track and accumulate costs for the Special Health Services/Third Party Billing program. All costs accumulated in this sub-activity are related to the delivery of School Health services and are therefore allowable costs. The Department recognizes that the existing budgetary relationship, (which was structured to reflect the use of income from the Special Health Services/Third Party Billing to supplement the entire Comprehensive School Health program as necessary and that other resources would be accessed first), is inadequate for timely allocation of costs which may or may not be transferred from this sub-activity depending on the availability of other resources.

Budgetary changes will be incorporated in the FY 2004 budget process that will allow the Department to track and accumulate allowable costs allocable to other programs directly to these individual accounts, thereby significantly reducing the number of cost transfers from the designated Special Health Services/Third Party Billing budget account. Personnel cost adjustments will still be necessary due to multiple support of some positions. The proposed changes, including a more appropriate name designation for this activity, have already been preliminarily discussed with the Health Department's Budget Analyst. In the interim, the Department has already started processing payroll distribution account number changes that will track and accumulate costs directly.

**Finding:** The Department's invoices for reimbursement of services rendered were not prepared timely, and did not have supervisory review and agency approval.

**Response:** The Department concurs that the policy for submission of financial reports was not adhered to. Changes have already been made to assure that the billings to the Baltimore City Public Schools are dated, reviewed and signed by the appropriate authority. A sample of the billing report created March 22, 2002 is attached. It is anticipated that the appropriate allocation and finalization of FY 2001 costs will be completed no later than May 10, 2002.

**Recommendation:** It is recommended that the Department develop and maintain a spreadsheet that reflects the allocation and distribution of all expenditures to its fund source and its budget.

**Response:** A meeting is scheduled the week of April 22, 2002 between School Health program administrators, the Director of Fiscal and Grants Management, and the accounting supervisor to review and determine the appropriate allocation of personnel and non-personnel costs incurred and/or budgeted under the Comprehensive School Health program. As a result of this meeting, an accurate spreadsheet can be developed to reflect the budgeted revenue and realistic allocation of all costs. With the direct allocation of costs to individual accounts, the spreadsheet would become a tool for tracking cost adjustments.

Should you have any questions or require additional information, I can be reached at (410) 396-4522. Bhupendra Thakkar, Director of Fiscal and Grants Management is available at (410) 396-4500.

Thank you.

cc: Peter Beilenson, M.D., M.P.H.  
Bhupendra Thakkar  
Francine Childs  
Rose Aytes-Jones  
Al Russell  
Larry Shapiro

# INVOICE

THE BALTIMORE CITY HEALTH DEPARTMENT  
FISCAL AND GRANTS MANAGEMENT  
210 GUILFORD AVENUE - 3rd FLOOR  
BALTIMORE, MARYLAND 21202

Remit Payment to: Director of Finance, City of Baltimore  
Agency Name: c/o Baltimore City Health Department  
Address: 210 Guilford Avenue - Fiscal Office  
City, State and Zip: Baltimore, Maryland 21202

Vendor: Baltimore City Public School System  
BCHD Principal: Bernadette Greene, R. N., M. S.  
Total Contract Amount: \$\$\$\$\$\$\$\$  
Contract Period: 07/01/01 - 06/30/02  
Budget Period: 07/01/01 thru 06/30/02

Invoice No.: #  
Date of Invoice: 4/21/2002  
Purchase Order No.

Project Title: Special Education/Third Party Billing

Billing Period: 07/01/01 - 03/31/02  
Amount Due: \$\$\$\$\$\$\$\$

Description	Current Expenses	Cumulative Expenses
Salaries	\$0.00	\$0.00
Fringe		
Other		
	\$0.00	\$0.00

I certify that this invoice is just and correct and that payment has not been previously submitted by this office.

\_\_\_\_\_  
Authorized Official

\_\_\_\_\_  
Date



## **AUDITOR'S COMMENTS ON BALTIMORE CITY HEALTH DEPARTMENT'S RESPONSE TO THE AUDIT**

The responses of Baltimore City Health Department (BCHD) to our audit are included as an attachment. BCHD's responses indicate that it recognizes that its system is inadequate and that it plans to implement budgetary changes in fiscal year 2004 that will track and accumulate allowable costs allocable to all of its programs. However, there are several statements in the response that did not address our audit recommendations or require further clarification.

### **Maintain the appropriate records to ensure a proper accounting of all expenditures that support third party billings.**

In its response to our audit, BCHD indicated that a separate and distinct sub-activity is currently maintained to track and accumulate costs for the Special Health Services/Third Party Billing program. However, the system was inadequate for the timely allocation of costs that **may or may not be transferred** from this sub-activity depending on the availability of other resources. Our audit indicated that only \$2,911,947 of the \$4,870,745 in expenditures for fiscal year 2001 and \$1,184,373 of \$2,300,460 in expenditures for fiscal year 2002 were billed to Baltimore City Public Schools. BCHD's response did not address how it will resolve the existing deficit if other revenue resources are not available.

BCHD's response also indicated that many of the necessary changes would be incorporated in the fiscal year 2004 budget process. BCHD's response did not address what will be done in the interim for the fiscal years 2002 and 2003 until these changes are implemented.

### **Adherence to internal policy of timely submission of monthly invoices.**

BCHD indicated in its response that changes have already been made to assure that the billings to the Baltimore City Public Schools are dated, reviewed and signed by the appropriate authority. However, the response did not address how BCHD plans to adhere to its internal policy of timely submission of monthly invoices. Prompt submission of invoices not only ensures timely reimbursement of incurred expenditures but also minimizes the burden on City's resources.